

Message Text

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ACTION NEA-10

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TAGS: EFIN EG

SUBJ: REVIEW OF EGYPTIAN MONETARY DATA, 1973-76

REF: CAIRO A-06

1. WE HAVE TAKEN A LOOK AT IMF AND CENTRAL BANK MONETARY DATA PERTAINING TO THE EGYPTIAN ECONOMY AND NOTE THAT THE MONEY SUPPLY ROSE 80.6 PERCENT BETWEEN THE END OF 1973 AND SEPTEMBER 1976, THE LATEST PERIOD ON WHICH COMPREHENSIVE INFORMATION IS AVAILABLE. THE SUPPLY OF QUASI-MONEY INCREASED MORE THAN 100 PERCENT IN THE SAME TIME SPAN. FOLLOWING IN PARAGRAPH 4 IS A TABULAR SUMMARY OF THE PERTINENT DATA.

2. THE LARGEST PERCENTAGE INCREASE IN TOTAL MONEY AND QUASI-MONEY, 29 PERCENT, CAME IN 1974, WITH THE 1975 FIGURES SHOWING A 21 PERCENT RISE AND NINE-MONTHS 1976 DATA INDICATING A 19 PERCENT INCREASE OVER THE COMPARABLE

PERIOD IN THE PREVIOUS YEAR. CURRENCY IN CIRCULATION INCREASED FROM LE 777.2 MILLION AT THE END OF 1973 TO LE 1,295.3 MILLION IN SEPTEMBER 1976 - A 67 PERCENT RISE. (NOTE: A CENTRAL BANK WEEKLY SUMMARY SHOWS

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BANK NOTES ISSUED AS LE 1,449.0 MILLION DURING THE LAST WEEK OF DECEMBER 1976.) DEMAND DEPOSITS, MORE THAN ONE-HALF OF WHICH ARE OF PRIVATE -SECTOR ORIGIN, ROSE FROM LE 427.6 MILLION TO LE 880.8 FOR AN INCREASE OF 106 PERCENT.

3. THE MAJOR ELEMENT OF QUASI - MONEY, (FOLLOWING IMF

FORMULATION), PRIVATE -SECTOR TIME DEPOSITS,
 INCREASED FROM LE 197.2 MILLION AT YEAR'S
 END IN 1973 TO LE 431.5 MILLION IN SEPTEMBER 1976, A
 119 PERCENT RISE. PUBLIC SECTOR COMPANIES' TIME
 DEPOSITS ALSO INCREASED SUBSTANTIALLY, --- FROM LE 131.0
 MILLION TO LE 296.5 MILLION, OR 126 PERCENT -- AS DID
 THEIR DEMAND DEPOSITS (SEE BELOW).

4. TABLE - MONETARY SURVEY, EGYPT

(LE MILLIONS)

PERIOD

ITEM DEC. 73 DEC. 74 DEC. 75 SEPT. 76

A. MONEY

CURRENCY CIRCULATING 777.2 947.6 1,155.9 1,295.3

DEMAND DEPOSITS:

PRIVATE	221.6	296.2	393.8	515.6
PUBLIC	198.2	249.8	300.4	351.4
COOPS	4.8	6.8	11.5	9.7
SPEC. BANKS	3.0	2.4	1.0	4.1
SUBTOTAL	427.6	555.2	706.7	880.8
TOTAL A	1,204.8	1,502.8	1,862.6	2,176.1

B. QUASI-MONEY--

TIME AND SAVINGS DEPOSITS:

PRIVATE	197.2	255.5	313.0	431.5
PUBLIC	131.0	236.0	246.3	296.5
COOPS	2.3	3.4	7.6	6.5
SPEC. BANKS	0.9	2.7	0.3	0.6
SUBTOTAL	331.4	497.6	567.2	735.1

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P.O. SAVINGS	100.8	119.2	136.0	139.4
TOTAL B	432.2	616.8	703.2	874.5

C. TOTAL LIQUIDITY

(A PLUS B) 1,637.0 2,119.6 2,565.8 3,050.6

5. WHILE THE ABOVE DOES NOT INCLUDE ALL LIABILITIES OF THE BANKING SYSTEM AND REFLECTS STATISTICAL DATA ONLY AS OF SOME FOUR MONTHS AGO, IT NEVERTHELESS INDICATES THE REMARKABLE RISE IN MONEY AND NEAR-MONEY IN THE ECONOMY SINCE THE END OF THE OCTOBER WAR -- AND SINCE THE BEGINNING OF PRESIDENT SADAT'S OPEN DOOR POLICY. MOST STRIKING, PERHAPS, ARE THE INCREASES IN PRIVATE SECTOR DEMAND AND TIME/SAVINGS DEPOSITS. THE FORMER ROSE AT AN AVERAGE ANNUAL RATE OF 33.5 PERCENT IN 1974 AND 1975, AND A FURTHER INCREASE OF 31 PERCENT WAS RECORDED DURING THE FIRST NINE MONTHS OF 1976. PRIVATE TIME AND SAVINGS DEPOSITS INCREASED AN AVERAGE OF 26.5 PERCENT IN EACH OF 1974 AND 1975; THE FURTHER RATE OF INCREASE THROUGH SEPTEMBER 1976 WAS 38 PERCENT.

6. THE PRINTING PRESS ELEMENT OF THE MONEY SUPPLY---
CURRENCY IN CIRCULATION-- INCREASED 22 PERCENT IN 1974
AND IN 1975. THE NINE- MONTH RISE IN 1976 WAS 12 PERCENT,
OR AN EXTRAPOLATED ANNUAL RATE OF 16 PERCENT. AS WAS
NOTED IN THE REFERENCED AIRGRAM, THE EFFECT ON THE
ECONOMY OF THE ADDED MONEY (AND NEAR-MONEY) SUPPLY HAS
BEEN PREDICTABLY, GIVEN RELATIVELY STAGNANT WAGE LEVELS
AND CONTINUED CONSTRAINTS, LARGELY DERIVING FROM THE
SHORTAGE OF FOREIGN EXCHANGE, ON SUPPLY AVAILABILITIES.
EGYPT'S DOMESTIC LIQUIDITY HAS VIRTUALLY DOUBLED SINCE
1973, BUT AVERAGE EARNINGS HAVE BY NO MEANS KEPTPACE.
THE RESULTANT SPREAD BETWEEN PRICES AND DISPOSABLE INCOME
HAS BEEN A CONTINUING SOURCE OF DISCONTENT FOR MOST
EGYPTIANS --- WITNESS THE OUTBURST OF (LARGELY) URBAN
VIOLENCE IN JANUARY 1977 WHEN THE GOE ATTEMPTED TO REDUCE
THE ENOURMOUS COST OF SUBSIDIES DESIGNED TO CUSHION
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CONSUMERS FROM PRICE RISES. WHILE THE MONEY SUPPLY IS
ONLY ONE FACTOR IN THE DISLOCATIONS WHICH AFFLICT THE
ECONOMY, ITS INCREASE CLEARLY HAS ADDED TO PRESSURES ON
PRICE LEVELS AND HAS AFFECTED THE LIVING STANDARDS OF A
VAST MAJORITY OF EGYPTIANS.

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